

year) higher than the current value.¹ Based on a current index value of approximately 335,² 7% implies a forward price of the Index of about 360 at the end of three months. Therefore, the strike prices for a three month option would need to bracket 360 rather than 335.

To address this problem, the Exchange intends to center the strike prices around the implied forward price of the IPC, rather than around the current index value. The implied forward price will change for each expiration month since one component of determining the implied forward price is the time to expiration. The formula for determining the implied forward price will be the index level times $e^{-r \cdot t}$, where r equals the current Mexican interest rate,³ and t equals the time to expiration.

CBOE will adhere to all other rules, interpretations and policies regarding strike price introduction, with the exception that the index level will be calculated as described above. CBOE will monitor the implied forward rate on a continuous basis and CBOE market-makers will monitor the rate continuously for purposes of trading the options. Finally, CBOE will issue a circular to the membership describing this policy for centering strike prices around the implied forward level.

By interpreting the current rules in such a manner that the Exchange may list strike prices that more accurately reflect the expected value of the IPC, CBOE believes the proposed rule change is consistent with and furthers the objectives of Section 6(b)(5) of the Act, in that it is designed to perfect the mechanisms of a free and open market and to protect investors and the public interest.

(B) Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any inappropriate burden on competition.

¹ This same pricing situation occurs in options based on U.S. securities, however, since U.S. interest rates are low relative to Mexico, the effect is quite small and does not necessitate the need for pricing off of an implied forward level.

² Full value IPC index options are priced at $1/10$ the value of the IPC Index.

³ The Mexican interest rate generally used in the calculation would be the Cetes rate with the appropriate maturity.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing rule change constitutes a stated policy, practice or interpretation with respect to the enforcement of an existing CBOE rule, it has become effective pursuant to Section 19(b)(3)(A) of the Act and subparagraph (e) of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the CBOE. All submissions should refer to the File No. SR-CBOE-96-33 and should be submitted by June 28, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁴

Jonathan G. Katz,
Secretary.

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⁴ 17 CFR 200.30-3(a)(12) (1994).

[Release No. 34-37264; File No. SR-CBOE-96-26]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto by the Chicago Board Options Exchange, Incorporated Relating to Continuous Representation of Orders

May 31, 1996.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on April 18, 1996, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the CBOE. On May 30, 1996, the CBOE filed Amendment No. 1 to the proposal.¹ The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The CBOE is hereby setting forth its interpretation of the meaning of an existing Exchange rule which concerns the obligation of a floor broker to continuously represent certain orders at the trading station where the option class is traded. The text of the proposed rule change is available at the Office of the Secretary, CBOE and at the Commission.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the CBOE included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The CBOE has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

¹ Amendment No. 1 corrects a technical error in Exhibit A of the CBOE's filing, and is not substantive in nature. See Letter from Timothy Thompson, Senior Attorney, CBOE, to James McHale, Attorney, Office of Market Supervision, Division of Market Regulation, Commission, dated May 16, 1996 ("Amendment No. 1").

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The purpose of the proposed rule change is to make a clarifying amendment to Interpretation .04 of Rule 6.73, which requires a floor broker to continuously represent certain orders in the trading crowd.

Paragraph (a) of Rule 6.73, Responsibilities of Floor Brokers, states that a floor broker must use due diligence in handling an order to execute the order at the best price or prices available to the broker, in accordance with Exchange rules. In further clarifying a broker's responsibility to use due diligence, Interpretation .04 of Rule 6.73 states that a floor broker's use of due diligence includes the immediate and continuous representation of "market or marketable orders" at the trading station where the option class represented by the order is traded. The use of the term "marketable" has lead to some ambiguity in the interpretation of the Rule, however, because some members have assumed that the term refers to marketable limit orders which are limit orders where the specified price at which to sell is below or at the current bid, or if to buy is at or above the current offer. In fact, however, the interpretation should read, and has been interpreted to mean, that a floor broker must immediately and continuously represent market orders or limit orders where the specified price to sell is at or below the current offer, or if to buy is at or above the current bid. Because this interpretation will require floor brokers to continuously and immediately represent some orders that are neither market orders or marketable limit orders, *i.e.* those orders whose limit price is between the bid and offer, the Exchange thought it was appropriate to revise the interpretation to clarify the intent of the term marketable. The proposed rule change will ensure that floor brokers will represent an order in a trading crowd when that order is likely to be executed soon, even if it is not immediately executable.

By clarifying an existing rule of the Exchange in order to clear up any possible ambiguity, the CBOE believes that the proposed rule change is consistent with and furthers the objectives of Section 6(b)(5) of the Act, in that it is designed to perfect the mechanisms of a free and open market and to protect investors and the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

The exchange does not believe that the proposed rule change will impose any inappropriate burden on competition.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing rule change constitutes a stated policy with respect to the meaning, administration, or enforcement of an existing rule, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such filing will also be available for inspection and copying at the principal office of the CBOE. All submissions should refer to the File No. SR-CBOE-96-26 and should be submitted by June 28, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.

Jonathan G. Katz,
Secretary.

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[Release No. 34-37265; File No. SR-CHX-96-13]

Self-Regulatory Organizations; Order Granting Accelerated Approval of Proposed Rule Change and Amendment No. 1 and Notice of Filing and Order Granting Accelerated Approval of Amendment No. 2 by the Chicago Stock Exchange, Incorporated Relating to the Modification of the Hours of the Exchange's Primary Trading Session and the Establishment of a Post Primary Trading Session

May 31, 1996.

I. Introduction

On April 9, 1996, the Chicago Stock Exchange, Incorporated ("CHX" or "Exchange") submitted to the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² a proposed rule change to modify the hours of the Exchange's Primary Trading Session and to establish a Post Primary Trading Session. On May 10, 1996 the Exchange submitted to the Commission Amendment No. 1 to the proposed rule change.³ The proposed rule change, as amended by Amendment No. 1, was published for comment in Securities Exchange Act Release No. 37204 (May 13, 1996), 61 FR 24988 (May 17, 1996). On May 29, 1996 the Exchange submitted Amendment No. 2 to the proposed rule change.⁴ This order

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Letter from David T. Rusoff, Attorney, Foley & Lardner, to Ivette Lopez, Assistant Director, Division of Market Regulation, SEC, dated May 9, 1996 ("Amendment No. 1").

⁴ See Letter from David T. Rusoff, Attorney, Foley & Lardner, to Ivette Lopez, Assistant Director, Division of Market Regulation, SEC, dated May 29, 1996 ("Amendment No. 2") Amendment No. 2 amends Article XX, Rule 2 to clarify that this rule also applies to the Post Primary Trading Session and Interpretation and Policy .01 to this rule to correct an inaccurate cross-reference. In addition, Amendment No. 2 revises the proposed changes to Article IX, Rule 10(b) to clarify that if a security's primary market is the Pacific Stock Exchange, Incorporated ("PSE"), the Primary Trading Session for that security shall end no later than 3:00 p.m. (CT). Amendment No. 2 also revises the proposed changes to Article IX, Rule 10(b) to remove the extension of the Primary Trading Session for CHX exclusive issues from 3:00 p.m. to 3:30 p.m. (CT)